

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 SP-02 ICA-20 AID-05 EB-08
NSC-05 SS-15 STR-07 OMB-01 CEA-01 L-03 H-02 PA-02
CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 /122 W
-----120991 060839Z /10

P 060811Z SEP 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 0989
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

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USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - AUG 31-
SEP 6

1. SUMMARY: YEN 2.5 TRILLION (\$13 BIL) STIMULUS PACKAGE
ANNOUNCED SEPT 2. SECOND QUARTER GNP FIGURES RELEASED
LAST WEEK SHOW REAL GROWTH DOWN TO 4.4 PCT SAAR, AS NET
EXTERNAL SURPLUS DROPS, WHILE FINAL DOMESTIC DEMAND RISES
MORE RAPIDLY (9.2 PCT SAAR). OFFICIAL INTERNATIONAL
RESERVES DOWN \$163 MIL IN AUG; OFFICIAL FOREIGN EXCHANGE
DEPOSITS WITH FOREIGN EXCHANGE BANKS INCREASE BY \$0.5 BIL.
NEW CONSTRUCTION ORDERS OFF IN JULY AND GROWTH OF MONEY
SUPPLY ALSO SLOWED SOMEWHAT DURING THE MONTH. END SUMMARY.
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2. THE GOJ ANNOUNCED ITS LONG-EXPECTED YEN 2.5 TRILLION
(\$13 BIL) STIMULUS PACKAGE SEPT 2 CONTAINING MEASURES TO
EXPAND DOMESTIC DEMAND BY PROVIDING ADDITIONAL PUBLIC IN-
VESTMENT PROGRAMS. FOCUS OF THE PROGRAM WAS ON PUBLIC
WORKS, SOCIAL WELFARE FACILITIES AND HOUSING. ANOTHER TAX
CUT THIS FISCAL YEAR WAS RULED OUT, ALTHOUGH THE POSSIBILITY

WILL DOUBTLESS BE A SUBJECT OF LIVELY DISCUSSION IN THE FORTHCOMING EXTRAORDINARY DIET SESSION WHICH WILL CONSIDER INTER ALIA THE SUPPLEMENTAL BUDGET NOW BEING WORKED OUT. REACTION TO THIS PACKAGE HAS NOT BEEN EXTENSIVE. A FAIR AMOUNT OF ATTENTION HAS BEEN DRAWN TO THE FACT THE PACKAGE WAS DESIGNED TO MINIMIZE THE IMPACT ON THE CENTRAL GOVT GENERAL ACCOUNT BUDGET. ON THE OTHER HAND, THE REACTION OF THE STOCK MARKET HAS BEEN POSITIVE.

3. FIGURES RELEASED LATE LAST WEEK FOR THE SECOND QUARTER GNP SHOW THAT REAL GROWTH DECLINED (S.A.) TO 1.1 PCT (4.4 PCT SAAR). THE SLOWER OVERALL GROWTH, DOWN FROM THE FIRST QUARTER 10 PCT FIGURE, REFLECTS PRIMARILY A SHARP CONTRACTION IN THE NET EXTERNAL SURPLUS (EQUIVALENT TO 4.0 PCT OF GNP SAAR) WHICH MORE THAN OFFSET AN ACCELERATION OF FINAL DOMESTIC DEMAND. THE LATTER WAS UP 9.2 PCT VERSUS AN 8 PCT INCREASE IN THE FIRST QUARTER. GOVT INVESTMENT WAS PARTICULARLY STRONG IN THE SECOND QUARTER, BUT PRIVATE INVESTMENT WAS ALSO RUNNING AT RESPECTABLE LEVELS. CONSUMPTION GREW AT A 5.2 PCT ANNUAL RATE IN THE QUARTER (TOKYO 15779).

4. JAPAN'S OFFICIAL INTERNATIONAL RESERVES DECLINED BY \$163 MIL IN AUG, TO STAND AT \$29,203 MIL AT END OF THE MONTH (TOKYO 15872). PRESS ACCOUNTS ATTRIBUTE VIRTUALLY ALL THE AUG DECLINE TO AN INCREASE IN OFFICIAL FOREIGN EXCHANGE DEPOSITS WITH FOREIGN EXCHANGE BANKS, WHICH ARE UNCLASSIFIED

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ESTIMATED TO HAVE INCREASED BY \$0.5 BIL DURING THE MONTH. THEY ARE NOW THOUGHT TO TOTAL \$8 BIL APPROXIMATELY.

5. NEW CONSTRUCTION ORDERS, S.A., FELL 5.3 PCT IN JULY, FOLLOWING THE DECLINE OF 4.2 PCT IN JUNE. THE JULY DROP IN NEW CONSTRUCTION ORDERS IS ATTRIBUTABLE TO BOTH PUBLIC AND PRIVATE SECTORS, WHICH WERE DOWN BY 11.6 PCT AND 2.1 PCT (S.A.) FROM THE JUNE LEVEL, RESPECTIVELY.

NEW CONSTRUCTION ORDERS, S.A. (IN BIL YEN; PCT CHANGE FROM PRIOR MONTH IN PAREN)

-	GOVT/PUBLIC	PRIVATE	TOTAL
-	(JEI 324)	(JEI 325)	(JEI 323)

MAY	317.2 (5.7)	326.9 (8.7)	723.7 (10.3)
JUNE(REV)	318.4 (0.4)	311.3 (-4.7)	692.9(-4.2)
JULY (PREL)	211.4 (-11.6)	304.8(-2.1)	656.5(-5.3)

6. GROWTH IN MONEY SUPPLY, S.A., SLOWED SOMEWHAT IN JULY AFTER ACCELERATING IN JUNE AND THE SECOND QUARTER. NARROWLY DEFINED MONEY, M-1, AND BROADLY DEFINED MONEY,

M-2, ADVANCED 13 PCT (SAAR) IN JULY, SOMEWHAT SLOWER THAN
AVERAGE RATES OF ADVANCES OF 14-15 PCT IN THE SECOND
QUARTER.
MONEY AND CREDIT, END OF MONTH, S.A.

- M-1(JEI 123) M-2 (JEI 126) M-3 (N/A) BANK LOANS
- AND DISCOUNTS
- (JEI 133)

MAY 58,873 (0.1) 161,267 (0.2) 246,590 (0.4)110,408(-0.4)

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CIAE-00 COME-00 FRB-01 INR-10 NSAE-00 XMB-04
OPIC-06 LAB-04 SIL-01 /122 W
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P 060811Z SEP 78

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 0990

TREASURY/DEP WASHDC PRIORITY

INFO AMEMBASSY BONN

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AMEMBASSY LONDON

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AMEMBASSY ROME

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JUN 60,287 (2.4) 163,555 (1.4) 250,080 (1.4)111,609 (1.1)

JUL 60,922 (1.1) 165,275 (1.1) 252,011 (0.8) N/A

7. CALL MONEY RATES CONTINUED TO FLUCTUATE FREQUENTLY
AND AVERAGE CALL MONEY RATE (JEI 187) FOR AUG WAS DOWN TO
4.334 PCT PER ANNUM FROM 4.442 PCT AVERAGED IN JULY. BILL
DISCOUNT RATE HAS REMAINED UNCHANGED AT 4.75 PCT PER
ANNUM THROUGHOUT AUG.

8. SECONDARY MARKET BOND YIELDS ROSE RAPIDLY IN AUG,
TO RECORD THE THIRD STRAIGHT MONTH OF ADVANCE. GOVT BOND
YIELDS ROSE TO 6.215 PCT PER ANNUM AT END OF AUG, AS COM-

PARED WITH 6.18 PCT PER ANNUM FOR INITIAL YIELD TO SUB-
SCRIBERS. SECONDARY MARKET BOND YIELDS, END OF MONTH
(ANNUAL RATE IN PCT):

- GOVT BONDS TELEPHONE AND TEL- INDUSTRIAL
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- EGRAPH BONDS BONDS

JUNE 6.065 6.623 7.247

JULY 6.066 6.620 7.308

AUG 6.215 6.669 7.389

MANSFIELD

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Message Attributes

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